

Received: 5/9/06
Comments Updated: 5/17/06

DRAFT

Julie,

I would first like to preface the rewrite on the questions and answers to clarify a couple of things that seem to be causing some confusion at Central Office.

SE-4096:

When developing our methodology for gathering the costs reported on the SE-4096 we are first gleaning only the costs reported for the combination of the function code and object code that is unique to the clinicians providing Medicaid services. Thus any costs associated with the columns 5 (Purchased Services), column 7 (Supplies and Materials) and column 8 (Other Expenditures) would be only those directly associated with the clinician and that specific function and object code for the clinician (OTs, PTs, Nurses, Physicians, Psychologists etc). I cannot think of any instructional/educational cost that would be associated with the lines for the clinician function codes and object code. These health care professionals would not be doing instructional duties during their normal course of work.

For the Aides and Special Education Teachers performing Personal Care Services and TCM where there would be associated instructional/educational costs we will require a Random Moment Time Study just as is done for the AOP staff pool to eliminate all educational time and only collect costs for the direct medical care time spent.

For Teacher Consultants performing Developmental Testing we will only capture the Salary and Benefits column of costs for these professionals, apply the AOP%, the cognizant agency ICR and apply the Medicaid eligibility rate to isolate costs down to only those associated with the time spent performing direct medical services.

SE-4094:

The costs reported on the SE-4094 are not for general education transportation. The costs reported on this cost report are only for “specialized transportation”. “Specialized transportation” means transportation services provided in vehicles for the exclusive use of special education pupils. This cost as well as the cost associated with the supplies, materials and purchased services would directly relate to the provision of only specialized transportation.

Received: 5/9/06

Comments Updated: 5/17/06

ANSWERS TO CMS QUESTIONS FROM THE 5-3-06 INTERNAL CALL

SE-4096 Cost Report questions/Issues

1. On Page 2 of the SE-4096 Cost Report, Item # 3 identifies the total expenditures from Federal grant sources, IDEA grants, and other direct grants from the Federal government. Does this amount also include any expenditures paid for by State grants?
 - a. NO. Expenditures paid for by State Grant dollars are NOT excluded from the SE-4096 cost report. The report would include all State and local expenditures.
 - b. **CMS requests confirmation that the report excludes any amounts used as State match for other programs or revenue sources.**
 - c. **Additional Clarification: The expenditures reflected on Page 2 are not included in the costs reflected on Page 3. Page 2, expenditures are "Individuals with Disabilities Education Act" (IDEA) grants, Section 51a(6) and federal grants. Page 3 expenditures are from State and Local sources, which are the only costs being proposed in the Medicaid FFS reimbursement methodology.**

It is our understanding that the Certification document would be the signed assurance that all dollars used as match were legitimate. Otherwise why is that document needed?

2. On the proposed SE-4096 cost report that breaks out the Medical personnel costs, are the support personnel identified on lines 17e, 18b, 19c, 20b and 21c included in the Medicaid allowable costs?
 - a. NO. The State is only picking up the clinician cost and not the support personnel costs. Only the lines that have a Function and Object code identified in the Description column are picked up for Medicaid cost settlement purposes.
3. Are the Salaries, benefits and purchased services identified on a cash or accrual basis?
 - a. Per the Michigan Public School Accounting Manual, page 3, the SE-4096 expenditure reporting is done on an accrual basis.
4. Column 5 (Purchased Services) includes Object code 3130 that is identified as Professional & Technical services-Contracted. This category is identified as audiological, medical, psychologist or other student services. What is included as "other student services?"
 - a. These would be non-payroll, contracted medically related services.

Received: 5/9/06

Comments Updated: 5/17/06

- b. **CMS requests confirmation that Object Codes 3130 and 3190 in Column represent the cost of contractual practitioners. If this is not correct, please clarify**
 - c. **3130 would be the cost of contractual practitioners and 3190 the cost of medical and professional services provided other than those provided under employee benefits for the only the medical staff who's function codes we are picking up.**
5. Column 5 (Purchased Services) also includes Object code 3210 (local travel between buildings). Is this only travel necessary for the professional to perform their job?
- a. Yes. This is only official travel between schools.
6. Column 5 (Purchased Services) also includes Object codes 4120 (Equipment repair) and 4220 (Equipment rental). What costs are included in these categories?
- a. Only the costs the medical professional authorizes would be claimed. Examples would be renting or repairing a wheelchair to assist the student with mobility issues or hearing aid repair, etc.
 - b. **CMS would only allow equipment costs that are specifically identified as *medical* equipment only. This should ideally be done by defining a separate object code as medical equipment. During the call, CMS emphasized that it would not permit the State to capture medical equipment expenses by applying a percentage to a cost pool that includes non medical costs.**

During our telephone conference CMS indicated that Object Code 3610 in Column 5 may not be included in the rate. The Object Codes for Columns 6 and 8 were also discussed. Regarding Column 6 Object Codes 5110 and 5410 CMS would not permit their inclusion in the rate. Only medical or clinical periodicals could be included. Object Codes 7410 and 7910 in Column 8 may not be included in the rate. All of the Object Codes that CMS has indicated may not be included in the rate represent costs that are either indirect or non medical.

- c. Note for Workgroup: This matter will not be acted upon per MDCH management until CMS has made a decision on whether to allow our proposed cost settled methodology. If it is not allowed this becomes a non issue.

SE 4094 Transportation cost report Questions/Issues

7. How are the total miles (line 29) and total gallons of fuel consumed (line 31) allocated between regular transportation and special ed transportation?

Received: 5/9/06

Comments Updated: 5/17/06

- a. These are not expenditure lines thus are not used in our methodology. However, to answer the question, the percentage of types of buses is applied to the total miles driven or gallons of fuel used. Ex. The school district has 15 buses (11 regular buses, 3 specialized buses, and 1 spare bus). The total miles driven and gallons of fuel used would be identified as 12/15 (80%) to regular transportation and 3/15 (20%) to Special Education.

The costs discussed in the following items (#8-10) may NOT be included in developing the transportation rate.

8. Line 3 (Secretarial/Clerical) and line 5 (Other Support)-will not be allowed.

Note for Workgroup: Line 3 includes object code 1620 - Secretary-clerical-bookkeeper, to perform clerical, secretarial, and administrative services such as activities concerned with preparing, transferring, transcribing, systematizing, or preserving written communication and records, or operating such mechanical equipment as computers, adding machines, duplicating machines etc.

CMS will not likely accept any justification that we could give them on this. When I reviewed some of the completed cost reports this amount appears to be pretty minimal for the Special Ed Section 52. An example on the cost report totaling \$296,000 in salary costs alone this line was \$99.

- a. The cost included on these lines are specific to the operation of the buses and include such things as bus dispatchers, garage employees and other mechanics necessary for the delivery of specialized transportation services. To exclude educational and instructional costs Michigan is applying, to all the costs on the SE-4094, the AOP direct service % and then allocating again with the Medicaid eligibility rate to get the Medicaid cost.
- b. **The transportation costs would have to be calculated on a per trip basis, not in the aggregate. There would not be the application of the direct service % or the MER. The formula would be “Total allowable transportation costs multiplied by the ratio of Medicaid trips to Total trips.**

Note : Currently SBS Policy mandates that a Medicaid covered service must be delivered on the same date in order for a valid claim for Transportation to be submitted. Billing entities do this by matching their potential claims for Transportation against their history of submitted medical claims to arrive at a valid Transportation claim.

If CMS mandates that we go to a per trip billing, since we will no longer be billing based on procedure codes the matching process for determining a valid transportation claim will be problematic. This would require some mechanism for verifying that there was a service provided on the same date of service. One way bus logs will continue to be required.

Received: 5/9/06

Comments Updated: 5/17/06

To determine the number of Medicaid eligible students from the total students utilizing Specialized Transportation some methodology will have to be developed.

This could be done by; 1) Each ISD submitting to MDCH a list of those students names and birthdates which are utilizing specialized transportation. MDCH will then utilize this data to determine the % of those that are Medicaid eligible and this % will be used to apply to the total allowable transportation expenditures from the SE-4094 submitted to Dave Stirdivant. The school will keep bus logs on all children utilizing Specialized Transportation service for audit purposes, 2) MDCH submitting a listing of all Medicaid eligible names and IDs within that county. The ISD would match this to the list of students utilizing Specialized Transportation and submit the % calculation with their SE-4094 data. The only issue that might arise with this is if the county of residence was different than the ISD region.

Will we need the FERPA issue resolved for the ISD to transmit names and birthdates to MDCH?

9. Lines 8-11 (Local Expenses, Telephone/Postage, Other Utilities and Non-Vehicle Purchased Services)-What is included in these lines?

- a. This would include such things as the bus routes, contacts with parents regarding the pick up and delivery, bus logs. This cost is related to the cost of delivering the specialized transportation services and would be comparable to any other cost of providing transportation in the Medicaid world.
- b. **Additional Clarification:** These costs would be directly related to the provision of **only** specialized transportation. There would be no instructional type costs included. It would include such items as Travel (i.e. workshops for training on completing the bus logs), Conferences, Telephone/Postage (i.e. mailing of bus route information), Utilities (i.e. water, sewage, garbage collection).

Note for Workgroup: These costs on the SE-4094 appear to be minimal on some of the examples I have looked at.

10. Line 24 (Office Supplies) will not be allowed.

- a. These are office supplies for Specialized Transportation services only. An example of an item of cost here would be the paper utilized for the bus logs, the bus schedules etc.

Overall methodology questions/Issues

11. It was mentioned that for both the direct services and transportation costs, CMS wants to see a "Medicaid specific cost report" or summary of only the cost being picked up for the Medicaid cost settlement calculation. This should also identify any percentages being applied and detail the calculations being made to the data.

Received: 5/9/06

Comments Updated: 5/17/06

- a. Specific forms showing this information has not yet been developed. This is all part of the cost settlement process and until we have an approved methodology we would not move forward into the details of this process. Once the methodology is approved MDCH will develop a process, and hire staff to perform this function. Interim payments for the ISDs will be issued through our automated payment system. Cost data could be accumulated in a database or via spreadsheet applications whichever will be most applicable for the data received. Interim payments will be compared to the actual cost accumulated by ISD. Dave Stirdivant who is the person on the workgroup from our cost settlement area is out of the office until May 8, 2006. We will discuss this issue with him and get back to CMS.
- b. **We understand that after CMS and MI agree upon the scope of cost that can be included the State will develop an actual cost settlement document for direct medical services that will show the application of the time study results to total cost and the application of the MA eligibility ratio against total SBS direct costs. A similar cost settlement document must be developed for the transportation costs. These must calculate a per trip cost by applying the ratio of Medicaid trips to Total trips against the total costs allowed for transportation. These documents and the calculations used must be clearly shown before approval of a SPA can be issued.**
- c. **MSA is developing a draft form for CMS review.**

12. I informed the State that Steps 5 through 8 of the reimbursement methodology would not be allowed.

- a. This issue may have been resolved and the State would remove these additions from the calculation as the Michigan Dept of Education has evidently agreed to calculate and certify an indirect cost rate specifically for the Medicaid program. The rate would be capped at 25%.
- b. **CMS reiterates that Steps 5-8 as presented in the FFS Methodology Work Paper of April 2006 would not be permitted for the purpose of calculating Medicaid reimbursable costs. These steps must be excluded from the final cost calculation.**
- c. **CMS permits States to use either the unrestricted or restricted cognizant agency indirect cost rate as approved by the Federal Department of Education.**